

Message Text

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44

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E.O. 11652: N/A

TAGS: EFIN, EIND, EGEN, YO

SUBJ: YUGOSLAVIA ADOPTS LAW TO CONTROL INVESTMENT SPENDING

1. OFFICIAL GAZAETTE JUNE 13, 1975 (ITEM 426) PUBLISHES LAW ON SECURING PAYMENTS OF INVESTMENTS. LAW CONTAINS 46 ARTICLES SETTING OUT PROCEDURES AND RESPONSIBILITIES OF INVESTORS, BANKS, AND THE PUBLIC ACCOUNTING SERVICE WITH REGARD TO NEW CAPITAL INVESTMENTS.

2. BASIC PURPOSE THIS LAW AND OTHER INVESTMENT PROCEDURES IS TO SET UP SYSTEM OF INVESTMENT REGULATION THAT (A) CHANNELS ECONOMIC INVESTMENT INTO PRIORITY SECTORS OF ENERGY, BASIC RAW MATERIALS, AND AGRICULTURE, (B) REDUCES SIGNIFICANTLY NON-ECONOMIC INVESTMENT SPENDING EXCEPT FOR PRIMARY SCHOOL CONSTRUCTION, AND (C) ENDS PHENOMENA OF "UNCOVERED INVESTMENTS," THAT IS, THE UNDERTAKING OF INVESTMENT PROJECTS WITHOUT SUFFICIENT FINANCING TO INSURE THEIR COMPLETION.

3. TO HELP REALIZE GOALS PARA 2 NEW LAW (A) TIGHTENS

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LEGAL AND FINANCIAL PROCEDURES FOR SECURING CREDITS

FOR INVESTMENT PROJECTS, (B) ESTABLISHES LIABILITY OF YUGOSLAV BANKS THAT GUARANTEE INVESTMENT CREDITS. THESE BANKS ARE NOW FINANCIALLY RESPONSIBLE FOR COMPLETION OF PROJECTS THEY GUARANTEE, (C) SETS OUT CRIMINAL PENALTIES FOR ENTERPRISE DIRECTORS WHO UNDERTAKE UNCOVERED INVESTMENTS.

4. COMMENT: YUGOSLAV AUTHORITIES HAVE CONCLUDED THAT EXCESSIVE INVESTMENT SPENDING ESPECIALLY IN THE NON-ECONOMIC SECTOR IS PRIME ENGINE OF INFLATION. UNCOVERED INVESTMENTS ARE OF SUFFICIENT MAGNITUDE TO CAUSE STRUCTURAL BOTTLENECKS IN DEVELOPMENT PLANS (ESPECIALLY UNCOMPLETED ENERGY PROJECTS) AND LIQUIDITY PROBLEMS. THIS LAW IS PART OF OVERALL PROGRAM TO RATIONALIZE INVESTMENT PROCEDURES IN ORDER TO ACHIEVE GOALS PARA 2. ALSO BEING CONSIDERED BY YUGOSLAV ASSEMBLY IS LAW TO REQUIRE 50 PERCENT PRIOR DEPOSIT ON NON-ECONOMIC SECTOR INVESTMENT--HOWEVER THIS IS BEING RESISTED STRONGLY BY SOME REPUBLICS AND PROVINCES.
SILBERMAN

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